

Theresa Carpenter
Account Manager
Tel: 267.765.6255
tcarpenter@resolute-ne.com

New England Division
1000 Washington Street
Boston, MA 02118

May 16, 2012

Mark O'Brien
Environmental Risk Services Corporation
1600 Riviera Avenue
Suite 310
Walnut Creek, CA 94596

Re: Alleged Insured: City of Benicia
Alleged Policy: GLA 02455
Site: Former Benicia Arsenal, Benicia CA

Dear Mr. O'Brien:

Please be advised that Resolute Management Inc., New England Division administers certain claims on behalf of Atlanta International Insurance Company and I will be handling all further developments regarding the above stated matter.

We are in receipt of your correspondence dated May 1, 2012. We understand that the California Environmental Protection Agency, Department of Toxic Substance Control has notified the City of Benicia that as the owner of property where hazardous substances exist or may exist, it must be involved in the investigation and cleanup. Please forward information regarding the current status at the site, including information about the meeting held on September 10, 2010 or any subsequent meetings.

We understand that the City of Benicia believes this company may have issued it with a liability policy. Based on the information you provided, it appears as though the City of Benicia is seeking defense and indemnification for this matter under the alleged policy. Please contact me if this is not correct.

Please be advised that we currently do not have a copy of the policy allegedly issued to the City of Benicia. We will conduct a policy search in an attempt to locate evidence of insurance issued to the City. While the company will cooperate with the City of Benicia in efforts to locate the alleged policies, it is the burden of the party seeking the benefit of an insurance policy to prove both its existence, terms and conditions. Consequently, we can undertake no action on this claim until the existence of insurance is proven through satisfactory evidence.

In undertaking this policy search and investigation, we expressly reserve all of our rights under any alleged insurance policy that might have been issued. In particular, we reserve

the right to assert any and all defenses of non-coverage that may be developed during the course of our investigation, including our right to deny the existence of the policy.

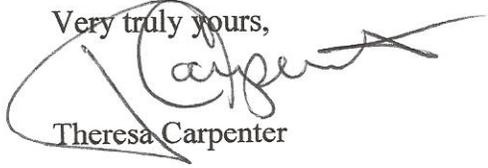
We hereby specifically reserve any and all rights to disclaim coverage, for both the payment of defense costs and any indemnity obligation, for additional reasons to those set forth above, which may include, without limitation:

1. Whether the asserted claim is for “bodily injury,” “property damage” or “personal injury” as defined by the policy;
2. Whether any alleged “bodily injury,” “property damage” or “personal injury” was caused by an “occurrence” or “accident” as defined by the policy;
3. Whether any “bodily injury,” “property damage” or “personal injury” took place during the applicable policy period;
4. Whether the asserted claim is for “damages” as used in the policy;
5. Whether the policy contains a pollution exclusion;
6. Whether the asserted claim is being made against a named insured, person insured or additional insured under the policy;
7. Whether the City of Benicia knew or should have known of any” bodily injury,” “property damage” or “personal injury” prior to the inception of the policy;
8. Whether the asserted claim gives rise to a duty to defend under the policy;
9. To the extent that the City of Benicia made any voluntary payments or incurred any obligations without our consent, those costs and obligations may be excluded;
10. Whether the City of Benicia gave notice of the asserted claims in accordance with the terms of the policy;
11. How the policy in question operates when there is other insurance applicable to the loss;
12. Whether coverage may be barred for fines, penalties, punitive or exemplary damages, or costs incurred as a result of statutory violation and/or any restitutionary or injunctive relief, recovery for which is precluded by operation of law, public policy or the language of the policy;
13. Whether losses claimed fall within the definition of “Ultimate Net Loss,” if the policy contains Ultimate Net Loss provisions;
14. To the extent that the policy follows form to policies that we do not have copies of, we reserve all rights to request copies of those underlying policies.

Again, by referencing the possible coverage issues discussed above, we do not intend to limit in any way our right, if appropriate, to disclaim coverage on the basis of any and all other policy provisions or legal arguments that may limit or preclude coverage. Instead, based on the limited information thus far provided to us, it is our intention merely to provide you with a general overview of coverage issues, which we have already identified, that may further limit or preclude coverage, and upon which we reserve our right to disclaim coverage in the future

If there is additional information about this claim of which we are not aware, but which you believe we should consider, please let us know. We would be glad to review the information.

Very truly yours,

A handwritten signature in cursive script that reads "Carpenter". The signature is written in black ink and is positioned above the printed name. The signature is somewhat stylized, with a large initial 'C' and a long horizontal stroke at the end.

Theresa Carpenter